Before the Federal Communications Commispion Washington, D.C. 20554

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Enforcement of Other Nations' Prohibitions Against the Uncompleted Call Signaling Configuration of International Call-hack Service)) ,)	IB Docket No. 02-18	
Petition for Rulemaking of the Telecommunications Resellers Association To Eliminate Comity-Based Enforcement of Other Nations' Prohibitions Against the Uncompleted Call Signaling Configuration of International Call-hack Service)))))	RM-9249	FOC - MAILPOOM

ORDER

Adopted: March 24, 2003 Released: March 25,2003

By the Commission:

1. Introduction

l. In this Order, we eliminate the existing comity-based prohibitions on call-back and the current policy on call-hack services that allows a foreign government or entity to make use of the enforcement inechanisms of the Commission to enforce foreign government prohibitions against U.S. carriers from offering uncompleted call-signaling abroad. The record in this proceeding provides no basis upon which to continue this policy, which the Commission adopted in 1995 based upon international comity. We will continue to maintain an ongoing public file that contains information on the legality of call-hack in foreign countries so that U.S. carriers may be aware of and ensure that their actions are consistent with foreign law. We also will continue to maintain our policies prohibiting call-back configurations that degrade the network or constitute fraudulent activity

II. Backgroiind

2. International call-back arrangements allow foreign callers to take advantage of low U.S. international services rates, many of which are significantly lower than the rates available in their home countries. The Commission policy addresses rhe uncompleted call signaling **type** of call-back. Using this type of arrangement. a foreign caller dials the call-back provider's switch in the United States. waits a predefermined number of rings, and hangs up before the Switch answers. The switch then automatically returns the call. and upon completion, provides the caller in the foreign country with a U.S. dial-tone.

Uncompleted call-signaling is the most prevalent form of call-back, and it is the method that the Commission addressed in the Call-back proceeding. See VIA USA, Lid. Telegroup, Inc., Discount Call Int'l Co., 9 FCC Rcd 2288 ¶ 3 (1994) (Call-back Order), aff'd on reconsideration, 10 FCC Rcd 9540 ¶ 3 (1995) (Call-back Reconsideration) (together Cull-bod Proceeding).

- 3. The Commission first examined international call-back arrangements in a 1994 decision granting section 214 authorizations to three applicants seeking to provide international resold switched services using the uncompleted call signaling configuration 'ofcall-back. In the Call-buck Order, the Commission concluded that the public interest, convenience, and necessity would be served by authorizing U.S. carriers to provide such service. which "could place significant downward pressure on foreign collection rates, to the ultimate benefit of U.S. ratepayers and industry." In several subsequent proceedings, the Commission reaffirmed its support for 'call-back as an important alternative calling mechanism that places downward pressure on above-cost international rates for U.S. cbnsumers.' In addition, call-back traffic benefits foreign carriers by increasing the settlement rare payments made by U.S. carriers to foreign carriers under the international accounting rate regime.'
- 4. In the 1994 Cull-buck Order, the Commission concluded that the provision of uncompleted call-signaling does not violate U.S. law or international law or regulations. The Commission did not address the legality of international call-back under the laws of foreign countries, but noted that the applicants should "provide service in a manner that is consistent with the laws of countries in which they operate."
- 5. The next year, in the Call-back Reconsideration, the Commission received comments from 21 countries and a regional commission representing six Central American countries (COMTELCA/INTEL). Notwithstanding the finding that call-hack serves the public interest and does not violate U.S. or international law, in the Call-back Reconsideration Order the Commission concluded that the United States should, for reasons of international comity, assist in the enforcement of foreign laws that ban call-back." The Commission stated that foreign governments bear principal responsibility for

See, e.g., 1998 Biennial Regulatory Review - - Reform of the International Settlements Policy and Associated Filing Requirements and Regulation of International Accounting Rares. IB Docket No. 98-148 & CC Docket No. 90-337, Notice of Proposed Rulemaking, 15 FCC Rcd 15320 ¶ 16 (1998) (1998 ISP Reform NPRM) ("We continue to believe that encouraging alternative means of routing traffic, such as international call-hack service. Internet telephony, and switched hubbing is an effective way to lower settlement rates, as well as foreign and domestic collection rates."); Rule, and Policies on Foreign Participation in the U.S. Telecommunications Market and Market Entry and Regulation of Foreign-Affiliated Entities, Repon and Order and Order on Reconsideration, 12 FCC Rcd 23891. 23.896¶7 (1997) (Foreign Participation Order); Order on Reconsideration, 15 FCC Rcd I8158 (2000) ("New technologies such as call-back and Internet telephony are already putting significant pressure on international settlement rates and doniestic collection rates.").

Settlement rates are the per-minute charges that carriers pay their foreign correspondents to terminate international traffic. See International Settlement Rrires, IB Docket No. 96-261, Report and Order, 12 FCC Rcd 19806, 19807 ¶ 2 (1397) (Benchmarks Order) aff'd sub nom., Cable and Wireless Plc. v. FCC. 166 F.3d 1224 (DC Cir. 1999), Report and Order on Reconsideration and Order Lifting Stay, 14 FCC Rcd 9256 (1999). In a typical call-back arrangement, a U.S. call-hack company provides a caller in a foreign county with a U.S. dial-tone and charges U.S. rates. The call is deemed to be U.S.-originated for purposes of the international accounting rate regime. aiid the underlying U.S. international facilirics-based carrier therefore makes a settlement payment on the call to its foreign correspondent. See R. Freden. "The Impact of Call-Back and Arbitrage on the Accounting Rate Regime," Telecommunications Policy, Vol.21 No. 9/10 1997 at 820.

See Call-back Reconsideration Order, 10 FCC Rcd at 9524-54 ¶ 6-41 Call-back Order. 9 FCC Rcd at 2292 ¶ 18.

See Call-back Order, 9 FCC Rcd at 2288 ¶ 3.

³ Id at 2290 ¶ 11.

See Call-back Reconsideration Order, 10 FCC Rcd at 9542 n.2, 9554 ¶ 32.

The doctrine of international comity reflects the broad concept of respect among nations. It involves one nation recognizing within its territory the laws of a foreign state. See Hilton v. Guyot, 159 U.S. 113, 163-64, 16 S.Ct. 139, 143 (1895); Restatement (Third) of the Foreign Kelations Law of the United States, § 101, comment e (1986).

enforcing their domestic lays, but noted that a foreign government could invoke the principle of international comity to seek assistance in enforcing its laws. The Commission therefore adopted a policy prohibiting U.S. carriers from offering international call-back using the uncompleted call signaling configuration to countries where it has been expressly prohibited."

- 6. Pursuant to this policy, the Commission enacted two methods to assist foreign governments. First, the Commission established a mechanism for a foreign government to notify the U.S. Government that call-back using uncompleted call-signaling is illegal in its country. Since adoption of this policy, 36 countries have submitted infonnation about the legality of call-back within their territories. Second, the Commission set forth procedures for a foreign government to notify the U.S. government if the foreign country has been unsuccessful in enforcing its prohibitions on uncompleted call signaling against U.S. carriers. To bring an action against a carrier unlawfully providing call-back, the Commission required that the foreign government provide specific documentation of the country's legal restriction on international call-hack using uncompleted call signaling, evidence of violations by particular carriers, and a description of enforcement measures attempted by that foreign government. To date, forcign governments or entities have sought Commission assistance in enforcing their prohibitions on call-hack only on a few occasions. In only two instances has the Commission concluded that the requirements necessary for the Coinmission be assist in the enforcement of foreign laws against call-hack have been satisfied."
- 7. On March 19, 1998, the Telecommunications Resellers Association (TRA) filed a petition requesting that we adopt a notice of proposed rulemaking to review the Commission's, international call-hack policy. TRA asserts that much has changed since the *Call-back Proceedings*

As the Commission noted, such recognition is entirely discretionary by individual nations. See Call-hack Reconsideration Order, 10 FCC Rcd at 9557 ¶¶ 50-51

The Commission's policy extends only to the uncompleted call signaling form of call-back because the record in the initial call-back procreding focused on this methodology. See id. at 9555-56 ¶ 47.

See id.at 9524-54 ¶ 6-41.

The Commission maintains a public filecontaining the submitted material, which is available in the Commission's public refeience room located at 445 Twelfth St, SW, Washington, DC 20554. The Commission's website includes a list of the countries that have submitted material to the public file as well as a list of countries that stated call-hack is illegal in a 1996 ITU Survey. See http://www.fcc.gov/ib/td/pf/call-back.html. We note that according to ITU Plenipotentiary 2002 Resolution 21, 106 governments have notified the ITU that call-back is prohibited in their country. See Final Act of the Plenipotentiary Coiference (PP-02), Res. 21 (Marrakesh 2002) (Resolution 21).

See Call-back Reconsideration Order, 10 FCC Rcd at 9558 ¶ 52.

The International Bureau sent letters io all alleged providers of call-back in Saudi Arabia warning rhem that if they were to continue to provide call-back, they would face Commission enforcement action. Pursuanl Io Section 208 complaints filed by the Philippine Long Distance Telephone Company (PLDT), the Philippine dominant canier, the Commission ordered three call-back providers to cease offering call-hack in the Philippines. See generally Philippine Long Distance Telephone Company v. International Telecom, Ltd., D/B/A Kallback Direct, Meniorandum Opinion and Order, 12 FCC Rcd 15001 (1997), aff'd on reconsideration, 15 FCC Rcd 6009 (2000): Philippine Long Distance Telephone Company v. US Link, L.P. D/B/A USA Global Link, Memorandum Opinion and Order, 12 FCC Rcd 12010 (Coni. Car. Bur. 1997), aff'd on reconsideration, 15 FCC Rcd 8736 (2000); Philippine Long Distance Telephone Company v. Dialback USA. Inc., Memorandum Opinion and Order, 12 FCC Rcd 12023 (Com. Car. Bur. 1997).

See Petition for Rulemaking of ilie Telecommunications Resellers Association To Eliminate Comity-Based Enforcement of Oilier Nation's Prohibitions Against ilie Uncompleted Call Signaling Configuration of International Call-hack Service. RM-9249 (filed Mar. 19, 1938) (TRA Petition). TRA's rulemaking request is limited to the uncompleted call signaling configuration of international call-back service.

TRA argues that, given the World Trade Organization Agreement on Basic Telecommunications Services (WTO Basic Telecom Agreement)¹⁷ and the United States' commitment to market-opening policies, "there can no longer be any policy justification for Commission recognition or enforcement of foreip laws . . . intended to restrain U.S. carriers from entering telecommunications markets.""

- 8. Nine parties filed comments and seven parties filed reply comments on the TRA petition. 19 Commenters included one foreign government (Public Service Regulatory Commission Panama) and five foreign companies (C&W PLC, Philippine Long Distance Telephone Company, CANTV. Telkom SA, and Costa Rican Institute of Energy) filed comments. Several comments supponed TRA's petition. 20 Others contended that the WTO Basic Telecom Agreement does not justify changes to the cunent policy; they argued that eliminating the comity-based call-back policy could prompt retaliation that could hamper the development of global competition and would violate the U.S. Government's commitment under the International Telecommunication Union."
- 9. On January 30, 2002, the Commission adopted a Notice of Proposed Rulemaking (NPRM) to review its international call-back policy. In the NPRM, the Commission proposed to eliminate the existing comity-based prohibitions and policy that allows a foreign government or entity to make use of the Commission's enforcement mechanisms to prohibit U.S. carrier? from offering call-back services abroad using the uncompleted call signaling configuration. Only two parties filed comments, and no reply comments were filed. In their comments, both the Competitive Telecommunications Association (CompTel) and the Association of Communications Enterprises (ASCENT) support the Commission's proposal. Both Compel and ASCENT argue that the current policy is no longer necessary in today's pro-competitive environment. No foreign governments or entities filed comments on the proposal in the NPRM to eliminate the policy allowing the use of the Commission's procedures lo enforce prohibitions on call-back in foreign countries.

The results of the WTO basic telecommunications services negotiations are incorporated into the General Agreement on Trade in Services (GATS) by the Founh Protocol to the GATS, April 30, 1996, 36 L. L. M. 366 (1997). These results, as well as the basic obligations contained in the GATS, are referred to as the "WTO Basic Telecom Agreement."

TRA Petition at 3.

Public Nolice, Pleading Cycle Established for Comments on the Telecommunications Resellers Association Petition for Rulemaking Regarding the Commission's International Call-back Policy, DA 98-592 (rel. Mar. 27. 1998)

See, e.g., Telegroup conunents; USA Global Link, Inc. comments; Ursus comments.

See, e.g., Cable & Wireless, plc comments; Costa Rican Institute of Electricity comments; Compania Anonima Nacional Telefonos de Venezuela (CANTV) comments; Philippine Long Distance Telephone Company comments; Public Service Regulatory Commission of the Republic of Panama comments; Telkom SA Limited comments.

See Petition for Rulemaking of the Telecommunications Resellers Association To Eliminate Comity-Based Enforcement of Other Nations' Prohibitions Against the Uncompleted Call Signaling Configuration & International Call-Back Service, IB Docket No. 02-18, Notice of Proposed Rulemaking, 17 FCC Red 2794 (2002).

See Comments of the Association of Communications Enterprises To Eliminate Comity-Based Enforcement of Other Nation's Prohibitions Against Uncompleted Call Signaling Configuration of International ('all-hack Service, RM-9249 (filed April 15, 2002) (ASCENT Comments); Comments of the Competitive Telecommunications Association To Eliminate Comity-Based Enforcement of Other Nation's Prohibitions Against Uncompleted Call Signaling Configuration of International Call-back Service, RM-9249 (filed April 15, 2002) (CompTel Comments).

III. Discussion

- 10. The record in this proceeding provides no support for continuing the current comity-based prohibitions on call-back aild the policy that allows foreign governments to make use of the Commission's enforcement mechanism to prohibit U.S. carriers from offering call-back services using the uncompleted call-signaling configuration. No party filed comments urging continuation of this policy. Further, we view this policy as inconsistent with and undermining the Commission's goal of promoting global competition.²⁴ We will therefore no longer devote Commission resources to analyzing and investigating allegations that a U.S. carrier is offering uncompleted call-signaling in a foreign jurisdiction.²⁵
- 11. Congress directed the Commission "io provide for a pro-competitive, deregulatory national policy framework," and mandated, that with respect to domestic markets, no state or local government could prohibit an entity from offering telecommunications services. 26 We believe that the Congressional mandate to foster competitive telecommunications markets is instructive in the current context when assessing the international regulatory environment. 27 We find that the benefits of supporting clear and consistent policies that promote all forms of competition outweigh any benefits derived from recognition and assistance in the enforcement of foreign laws intended to prohibit such competition.
- 12. By no longer enforcing prohibitions against call-back in foreign countries, we are not rejecting the sovereign tights of any foreign government or limiting the ability of a foreign government to adopt and enforce policies to prohibit call-back within its jurisdiction. Rather, we are re-emphasizing our standing policy to encourage competition in all markets, both developed and developing. We will continue io work in various fora to promote network expansion and universal access.²⁸ We encourage a

See generally FCC Invites Exploitation with Softened Stance on Call-back Service, Communications Resale Repon. Sept. 15, 1997 (nuting that the PLDT decisions "ultimately will frustrate global competition and invite exploitation of its policies by self-interested foreign entities").

Allowing foreign governments and entities to use Commission resources to pursue U.S. carriers providing call-hack in their country requires the Commission to gauge the adequacy of the foreign government's efforts to enforce prohibitions against call-hack activity. As a result. Commission staff has to engage in resource-intensive analysis and interpretation of foreign laws.

See Telecommunications Act of 1996, Pub. L. No. 104-104, 11 Stat. 56, codified at 47 U.S.C. § 151 et seq; Joint Statements of Managers, S. Conf. Rep. No. 104-230, 104th Cong., 2d Sess. Preamble (1996).

⁴⁷ U.S.C. § 253 (a). Subsequent to the Call-back Proceeding, the Commission has implemented several initiatives to promote competition on international routes. In 1997, the Commission adopted the Foreign Participation Order, which set forth pro-competitive rules and policies regarding foreign participation in the U.S. telecommunications market. See Foreign Participation Order, 12 FCC Rcd 23891. In light of the WTO Basic Telecom Agreement and WTO members' commitments to open markets, the Commission determined in the Foreign Participation Order that it sewed the public interest to adopt rules to open further the U.S. market to competition from foreign compailies. Id. Also in 1997, the Commission adopted the Benchmarks Order, which requires U.S. carriers to reduce the settlement rates they pay to foreign carriers in order to limit above-cost payments in the absence of competitive forces on the foreign end of U.S. international routes. See Benchmarks Order, 12 FCC Rcd 19806. Additionally, in ille ISP Reform Order, the Commission limited application of the international settlements policy (ISP) to encourage rate competition among U.S international carriers. See 1998 Biennial Regulatory Review Reform of the International Settlements Policy and Associated Filing Requirements, Repon and Order on Reconsideration, 14 FCC Rcd 7963 (1999) (ISP Reform Order).

The Commission is an active participant in ilie ITU's Development Sector, the Inter-American Telecommunications Commission (CITEL), and the Asia-Pacific Economic Cooperative (APEC). In addition, io the extent possible, the Commission works extensively with its counterparts in developing countries to address the challenges of regulation in developing markets with a fast changing telecommunications environment.

pro-competitive call-hack policy that extends to the international marketplace, embraces free and open competition, and benefits U.S. consumers as well as the global community by ensuring lower prices: new and better products and services: and greater consumer choice. Indeed, we believe that eliminating call-back prohibitions enhance competition throughout the global marketplace.

- configuration of call-back services is consistent with international law. Likewise our elimination of the comity-based prohibitions and the policy that allows foreign governments and entities to use Commission resources to enforce prohibitions of call-back in a foreign country is consistent with international law. This policy was adopted at the discretion of the Commission, out of consideration of then expressed difficulties that some forcign governments may face in giving effect to their laws and regulations barring uncompleted call signaling. As the Commission stated in the Cull-hack Reconsideration Order, foreign governments may not, simply by enacting domestic legal, regulatory, or procedural measures, require the United States to implement such measures as a matter of international law. We find that at this time, given the Commission's mandate to promote comperition, and the fact that no party has filed in this proceeding urging continuation of the policy, it is no longer appropriate for the Commission to maintain a policy that provides for a forcign government or entity to use the Commission's enforcement mechanisms to prohibit uncompleted call signaling.
- We further find that this change to our policy on call-back services is also consistent with the ITU Plenipotentiary 2002 Resolution 21 and the 1994 Kyoto Declaration. Resolution 21 'requests administrations "to pay due regard to the decisions of other administrations and international operators whose regulations do not permit such services." The Kyoto Declaration directs that a member state should "rake such actions as may be appropriate within the constraints of its national law" if a carrier subject to its jurisdiction offers call-back in violation of another member state's laws. To that end, we will continue to maintain an ongoing public file to inform call-hack providers about the legality of call-hack in foreign countries. We remind U.S. carriers that it is in their best interest to act in a manner consistent with foreign laws, and to refer to the public file and note which foreign governments have notified the Commission that call-back is illegal in their countries. We also will continue to prohibit the provision of call-back using any configuration that degrades the network or that constitutes fraudulent activity. As a constitute of the provision of call-back using any configuration that degrades the network or that constitutes fraudulent activity.

Call-back Reconsideration Order. 10 FCC Rcd at 9551-9554 ¶¶ 33-41

In the Coil-hock Reconsideration Order we recognized that the doctrine of comity is used as a "discretionary means for U.S. Courts and agencies to take account of foreign sovereign acts, and therefore is distinct from obligations imposed under international law." Call Back Reconsideration Order, 10 FCC Rcd at 9555-9556 ¶ 47.

¹d. ai 9557 ¶ 50.

Coli-hock Reconsideration Order. 10 FCC Rcd at 9555-9556 ¶ 47. In its comments in support of the NPRM, ASCENT notes that the doctrine of comity "has little justifiable application in the absence of efforts by sovereign states to enforce their own laws and policies." See ASCENT conunents.

See Final Act of the Plenipotentiary Conference (PP-02), Res. 21 (Marrakesh 2002) (Resolution 21); Final Act of the Plenipotentiary Conference (PP-94), Res. Com4/6 (Kyoto 1994) (Kyoto Declaration).

Resolution 21 at resolves ¶ 2

Kyoto Declaration at ¶ 2 (emphasis added)

See Call-back Reconsideration Order, 10 FCC Rcd at 9546 ¶¶ 17-18 (supporting U.S. carrier efforts to eliminate "hot line" or "polling" methods of call-back); see also Public Notice, International Bureau to Pursue Carriers Engaged in Fraudulent International Call-back, Report No. IN 96-5 (Feb. 12, 1996) (announcing intention to sanction call-hack providers that engage in suppression of answer supenision signaling).

IV. Conclusion

15. Consistent with our pro-competitive policies, we remove the existing comity-based prohibitions and the policy that provides for a foreip government or entity to make use of the enforcement mechanisms of the Commission to prohibit U.S. carriers from offering the uncompleted call signaling form of call-hack abroad thereby restricting global competition. The Commission will, however, continue to maintain an ongoing public file that contains information on the illegality of callback in foreign countries and continue to maintain our policies prohibiting call-back copfigurations that degrade the network or constitute fraudulent activity.

V. Procedural Issues

A. Final Regulatory Flexibility Certification

16. The Regulatory Flexibility Act of 1980 (RFA), 5 U.S.C. §§ 601-612, as amended by the Small Business Regulatory Enforcement Fairness Act of 1996, Pub, L. No. 104-121, Title II, 110 Stat. 857. requires a final regulatory flexibility analysis in notice-and-comment proceedings, unless the agency certifies that "the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities." The policy change adopted in this Order does not impose any additional compliance hurden on small entities dealing with the Commission. The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction." In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act. Accordingly, we certify, pursuant to Section 605(b) of the RFA, that the policy change adopted in this Order does not have a significant economic impact on a substantial number of small business entities, as defined by the RFA. The Commission's Consumer and Government Affairs Bureau, Reference Information Center, shall send a copy of this Order, including the Final Regulatory Flexibility Certification, to the Chief Counsel for Advocacy of the Sniall Business Administration in accordance with Section 605(b) of the RFA. This certification will also be published in the Federal Register.

B. Initial Paperwork Reduction Act of 1995 Analysis

17. This Order does not contain either a new or a modified information collection. **As a** result, we need not seek comment on the impact of this Order on information collections, pursuant lo the Paperwork Reduction Act of 1995, Pub. L. No. 104-13.

VI. Ordering Clauses

18. Accordingly, IT IS ORDERED that, pursuant to Sections 1, 4 (i)-(j), 201 (b), 214, 303(r), and 403 of the Communications Act of 1934. as amended, 47 U.S.C. §§ 151, 154 (i)-(j), 201 (b), 214, 303 (r), and 403, this Order IS HEREBY ADOPTED.

³⁷ 5 U.S.C. § 605(b).

³⁸ 5 U.S.C. § 601(6).

⁵ U.S.C. § 601(3) (incorporating by reference the definition of "small-business concern" in the Small Business Act, IS U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies "unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Fodoral Register."

⁴⁰ 5 U.S.C. § 605(b)

- 19. IT IS FURTHER ORDERED that the condition placed on international Section 214 authorizations regarding the provision of international call-back services through the use of uncompleted call-signaling, IS HEREBY REMOVED from all existing Section 214 authorizations.
- 20. IT IS FURTHER ORDIRED that the Commission's Consumer and Government Affairs Burcau's Reference Information Center SHALL SEND a copy of this Order, including the Final Regulatory Flexibility Certification, to the Chief Counsel for Advocacy of the Small Business Administration.

FEDERAL COMMUNICATIONS COMMISSION •

Marlene H. Dortch Sccretary

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